

CITY OF OAKLAND

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012**

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	4 - 5
Management's Discussion and Analysis	6 - 11
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
State of Activities and Net Assets - Cash Basis	A 13 - 14
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 15 - 16
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 17 - 18
Notes to Financial Statements	20 - 33
Required Supplementary Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	35 - 36
Notes to Required Supplementary Information - Budgetary Reporting	37
Other Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Non-major Governmental Funds	1 39 - 40
Schedule of Indebtedness	2 41 - 42
Bond and Note Maturities	3 43 - 45
Schedule of Receipts by Source and Disbursements By Function - All Governmental Fund Types	4 46 - 47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49 - 51
Schedule of Findings	52 - 54

CITY OF OAKLAND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2012)		
Michael O'Brien	Mayor	January 2014
Debbie Rollins	Mayor Pro-Tem	January 2012
Corey Hackett	Council Member	January 2014
Brant Miller	Council Member	January 2014
Pat Newberg	Council Member	January 2014
Joseph Wede	Council Member	January 2012
Marissa Lockwood	City Clerk	Indefinite
Cindy Constable	City Treasurer	Indefinite
Joe Lauterbach	City Attorney	Indefinite
(After January 2012)		
Michael O'Brien	Mayor	January 2014
Pat Newberg	Mayor Pro-Tem	January 2016
Corey Hackett	Council Member	January 2014
Brant Miller	Council Member	January 2014
Betsy Moniz	Council Member	January 2014
Joseph Wede	Council Member	January 2016
Marissa Lockwood	City Clerk	Indefinite
Cindy Constable	City Treasurer	Indefinite
Joe Lauterbach	City Attorney	Indefinite

MUXFELDT

ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 22, 2012

Independent Auditor's Report

Lonnie G. Muxfeldt
Certified Public
Accountant

To the Honorable Mayor and
Members of the City Council:

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com

firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Oakland's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principals used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued . . .

August 22, 2012
Page Two

To the Honorable Mayor and
Members of the City Council:

In accordance with *Government Auditing Standards*, I have also issued my report dated August 22, 2012 on my consideration of the City of Oakland's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Oakland's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11 and 35 through 37 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.


M. J. H. Associates, CPA, P.C.

**CITY OF OAKLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The City of Oakland provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 300%, or approximately \$1.85 million, from fiscal year 2011 to fiscal year 2012. Note proceeds of \$2.5 million explain the unusual increase.

Disbursements of the City's governmental activities decreased 1.85% or approximately \$47,000, in fiscal year 2012 from fiscal year 2011. Significant increases occurred in the capital projects, public works, and general government functions.

The City's total cash basis net assets increased 240%, or approximately \$2.15 million, from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$2.5 million and the assets of the business type activities increased approximately \$302,600.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides and analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, sanitary sewer system and sanitation. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for the governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Sanitation Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased sharply from a year ago, increasing from approximately \$620,000 to approximately \$2.4 million. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities			
	Year Ended June 30, 2012	Year Ended June 30, 2011	
Receipts:			
Program receipts:			
Charges for services	\$ 103,641	\$ 114,068	
Operating grants, contributions and restricted interest	303,263	237,946	
Capital grants, contributions and restricted interest	75,371	101,373	
General receipts:			
Property tax	300,460	296,224	
Tax increment financing	31,990	18,622	
Local option sales tax	169,786	181,391	
Unrestricted investment earnings	5,067	29,406	
Miscellaneous	1,200	17,428	
Note proceeds	2,504,146	-0-	
Sale of property	5,180	6,850	
Total receipts	3,500,104	1,003,308	
Disbursements:			
Public safety	157,180	100,371	
Public works	287,246	190,677	
Culture and recreation	204,215	191,150	
Community and economic development	6,707	352,712	
General government	167,135	118,847	
Debt service	99,242	111,193	
Capital projects	739,268	274,932	
Total disbursements	1,660,993	1,339,882	
Change in cash basis net assets before transfers	1,839,111	(336,574)	
Transfers, net	12,395	12,622	
Change in cash basis net assets	1,851,506	(323,952)	
Cash basis net assets, beginning of year	619,711	943,663	
Cash basis net assets, end of year	\$ 2,471,217	\$ 619,711	

The City's total receipts for governmental activities increased 248% or approximately \$2.5 million. The total cost of all programs and services increased approximately \$321,000, or 2.4%, with no new programs added this year. The significant increase of receipts is primarily due to note proceeds of approximately \$2.5 million.

Property tax rates for fiscal year 2012 were not raised. Based on increases in the total assessed valuation, property tax receipts increased approximately \$4,000, or 1%, and next year are budgeted to decrease approximately \$5,000, or 2%.

The cost of all governmental activities this year was approximately \$1.66 million compared to approximately \$1.34 million last year. However, as shown in the Statement of Activities and Net Assets on pages 13 - 14, the amount taxpayers ultimately financed for these activities was approximately \$1.18 million because some of the cost was paid by those directly benefited from the programs (\$103,641) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$378,634). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2012 from approximately \$453,000 to approximately \$482,000, principally due to insurance proceeds received in fiscal year 2012.

Changes in Cash Basis Net Assets of Business Type Activities			
	Year Ended June 30, 2012	Year Ended June 30, 2011	
Receipts:			
Program receipts:			
Charges for services and sales:			
Water	\$ 691,748	\$ 616,851	
Sewer	63,878	65,023	
Sanitation	122,029	121,122	
Operating grants, contributions and restricted interest	-0-	-0-	
Capital grants, contributions And restricted interest	153,566	-0-	
General receipts:			
Note proceeds	58,201	-0-	
Rental income	37,328	37,328	
Total receipts	<u>1,126,750</u>	<u>840,324</u>	
Disbursements:			
Water	611,071	719,798	
Sewer	94,289	341,780	
Sanitation	106,405	117,995	
Total disbursements	<u>811,765</u>	<u>1,179,573</u>	
Change in cash basis net assets before net financing sources	314,985	(339,249)	
Transfers, net	(12,395)	(12,622)	
Change in cash basis net assets	<u>302,590</u>	<u>(351,871)</u>	
Cash basis net assets, beginning of year	<u>276,688</u>	<u>628,559</u>	
Cash basis net assets, end of year	\$ <u>579,278</u>	\$ <u>276,688</u>	

Total business type activities receipts for the fiscal year were approximately \$1.1 million compared to approximately \$840,000 last year. This \$260,000 increase is due primarily to note proceeds and sewer grants. As a result, cash balances increased approximately \$302,500 from the prior year. Total disbursements for the fiscal year decreased 34% to approximately \$812,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Oakland completed the year, its governmental funds reported a combined fund balance of \$2,471,217, an increase of \$1,851,506 from last year's total of \$619,711. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$65,731 from the prior year to \$573,353. This increase is primarily due to transfers from other funds.

The Special Revenue, Road Use Tax Fund cash balance decreased \$10,161 to \$99,948, with increases in both receipts and disbursements for fiscal year 2012.

The Capital Projects, Community Service Building Fund cash balances increased \$1,782,674 for 2012. This increase is due to note proceeds of \$2,504,146 and disbursements of \$721,472 for the community services building.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$163,811 to \$540,73, due primarily to note proceeds and increased water sales.

The Enterprise, Sewer Fund cash balance increased \$123,155 to reduce a deficit of \$141,407 to a deficit of \$18,252. The decrease in the deficit balance was due primarily to receipt of a CITIES grant of \$149,445.

BUDGETARY HIGHLIGHTS

City Council approved a budget amendment on May 14, 2012, increasing receipts by approximately \$1.6 million and decreasing disbursements by \$543,697.

The City's receipts were \$698,416 less than budgeted. This was primarily due to a CDBG grant that was budgeted but not awarded to the City for the reverse osmosis water treatment plant.

The public safety, public works, general government and business type functions were exceeded before the budget was amended. At June 30, 2012, disbursements exceeded budgeted amounts in the general government function.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$2,754,339 in long-term debt outstanding, compared to \$278,600 last year, as shown below:

	Outstanding Debt	
	Year Ended June 30, 2012	Year Ended June 30, 2011
General obligation notes	\$ 2,754,339	\$ 278,600
Total	\$ 2,754,339	\$ 278,600

Principal of \$86,608 and interest of \$12,219 was paid on outstanding debt during the year ended June 30, 2012. The City had two issuances during the fiscal year. 1) The Planning & Design Loan. On November 8, 2010 the City authorized the issuance of \$400,000 General Obligation Capital Loan Note Anticipation Project Notes. \$58,201 of loan proceeds (first draw from the planning & design loan) were received in July 2011. And 2) GO Capital Loan Notes. After a referendum in which 72% of the citizenry of Oakland approved the issuance of capital notes for the community service building, the City issued \$2.5 million general obligation capital loan notes. Proceeds of the note issue were received in May 2012.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,754,339 is below its constitutional debt limit of approximately \$3.8 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Oakland's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees, charged for various City activities. One of those factors is the economy.

Amounts available for appropriation in the operating budget are approximately \$7.3 million, a 121% increase from the amended fiscal year 2012 budget. Proceeds on notes and other financing sources are budgeted to be approximately \$6.2 million. Phase 1 of the community service building project is expected to be completed in fiscal year 2013.

If the budget is realized, the City's budgeted cash balance is expected to increase approximately \$376,000 by the close of fiscal year 2013.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it received. If you have questions about this report or need additional financial information, contact Marissa Lockwood, City Clerk, at 101 North Main Street, PO Box 396, Oakland, Iowa 51560.

BASIC FINANCIAL STATEMENTS

CITY OF OAKLAND

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 157,180	\$ 64,509	\$ 72,065	\$ -0-
Public works	287,246	420	190,131	-0-
Cultures and recreation	204,215	34,024	38,899	-0-
Community and economic development	6,707	-0-	-0-	-0-
General government	167,135	4,688	2,168	22,820
Debt service	99,242	-0-	-0-	-0-
Capital projects	739,268	-0-	-0-	52,551
Total governmental activities	<u>1,660,993</u>	<u>103,641</u>	<u>303,263</u>	<u>75,371</u>
Business type activities:				
Water	611,071	691,748	-0-	-0-
Sewer	94,289	63,878	-0-	153,566
Sanitation	106,405	122,029	-0-	-0-
Total business type activities	<u>811,765</u>	<u>877,655</u>	<u>-0-</u>	<u>153,566</u>
Total	\$ <u>2,472,758</u>	\$ <u>981,296</u>	\$ <u>303,263</u>	\$ <u>228,937</u>

Property taxes levied for:
 General purposes
 Tax increment financing
 Local option sales tax
 Unrestricted investment earnings
 Miscellaneous
 Farm rent
 Note proceeds
 Sale of assets
 Transfers
 Total general receipts

Change in cash basis net assets

Cash basis net assets, beginning of year

Cash basis net assets, end of year

Cash basis net assets

Expendable:

Streets
 Urban renewal
 Library
 Capital projects
 Water reserves

Unrestricted

Total cash basis net assets

EXHIBIT A

<u>Net (Disbursements), Receipts and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (20,606)	\$ -0-	\$ (20,606)
(96,695)	-0-	(96,695)
(131,292)	-0-	(131,292)
(6,707)	-0-	(6,707)
(137,459)	-0-	(137,459)
(99,242)	-0-	(99,242)
(686,717)	-0-	(686,717)
<u>(1,178,718)</u>	<u>-0-</u>	<u>(1,178,718)</u>
-0-	80,677	80,677
-0-	123,155	123,155
-0-	15,624	15,624
<u>-0-</u>	<u>219,456</u>	<u>219,456</u>
(1,178,718)	219,456	(959,262)
300,460	-0-	300,460
31,990	-0-	31,990
169,786	-0-	169,786
5,067	-0-	5,067
1,200	-0-	1,200
-0-	37,328	37,328
2,504,146	58,201	2,562,347
5,180	-0-	5,180
12,395	(12,395)	-0-
<u>3,030,224</u>	<u>83,134</u>	<u>3,113,358</u>
1,851,506	302,590	2,154,096
<u>619,711</u>	<u>276,688</u>	<u>896,399</u>
\$ <u>2,471,217</u>	\$ <u>579,278</u>	\$ <u>3,050,495</u>
\$ 99,948	\$ -0-	\$ 99,948
11,072	-0-	11,072
264,298	-0-	264,298
1,786,844	-0-	1,786,844
-0-	41,640	41,640
309,055	537,638	846,693
\$ <u>2,471,217</u>	\$ <u>579,278</u>	\$ <u>3,050,495</u>

See notes to financial statements.

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	General	Special Revenue Road Use Tax	Debt Service
Receipts:			
Property tax	\$ 300,460	\$ -0-	\$ -0-
Tax increment financing	-0-	-0-	-0-
Other city tax	-0-	-0-	-0-
Licenses and permits	6,020	-0-	-0-
Use of money and property	11,462	420	-0-
Intergovernmental	81,977	144,838	-0-
Charges for services	92,918	-0-	-0-
Miscellaneous	30,042	45,494	-0-
Total receipts	<u>522,879</u>	<u>190,752</u>	<u>-0-</u>
Disbursements:			
Operating:			
Public safety	157,180	-0-	-0-
Public works	-0-	287,246	-0-
Culture and recreation	204,215	-0-	-0-
Community and economic development	-0-	-0-	-0-
General government	142,272	-0-	-0-
Debt service	-0-	-0-	99,242
Capital projects	-0-	-0-	-0-
Total disbursements	<u>503,667</u>	<u>287,246</u>	<u>99,242</u>
Excess (deficiency) of receipts over (under) disbursements	19,212	(96,494)	(99,242)
Other financing sources (uses):			
Sale of assets	3,740	1,440	-0-
Loan proceeds	-0-	-0-	-0-
Operating transfers in	118,573	84,893	99,242
Operating transfers out	(75,794)	-0-	-0-
Total other financing sources (uses)	<u>46,519</u>	<u>86,333</u>	<u>99,242</u>
Net change in cash balances	65,731	(10,161)	-0-
Cash balances, beginning of year	<u>507,622</u>	<u>110,109</u>	<u>-0-</u>
Cash balances, end of year	\$ <u>573,353</u>	\$ <u>99,948</u>	\$ <u>-0-</u>
Cash Basis Fund Balances			
Restricted	\$ -0-	\$ 99,948	\$ -0-
Assigned for library	264,298	-0-	-0-
Assigned for capital project	-0-	-0-	-0-
Unassigned	309,055	-0-	-0-
Total cash basis fund balances	\$ <u>573,353</u>	\$ <u>99,948</u>	\$ <u>-0-</u>

See notes to financial statements.

EXHIBIT B

Capital Projects Community Service Building		Other Non-major Governmental Funds	Total
\$	-0-	\$ -0-	\$ 300,460
	-0-	31,990	31,990
	-0-	169,786	169,786
	-0-	-0-	6,020
	-0-	-0-	11,882
	-0-	22,820	249,635
	-0-	-0-	92,918
	-0-	52,551	128,087
	-0-	277,147	990,778
	-0-	-0-	157,180
	-0-	-0-	287,246
	-0-	-0-	204,215
	-0-	6,707	6,707
	-0-	24,863	167,135
	-0-	-0-	99,242
	721,472	17,796	739,268
	721,472	49,366	1,660,993
	(721,472)	227,781	(670,215)
	-0-	-0-	5,180
	2,504,146	-0-	2,504,146
	-0-	3,158	305,866
	-0-	(217,677)	(293,471)
	2,504,146	(214,519)	2,521,721
	1,782,674	13,262	1,851,506
	-0-	1,980	619,711
\$	<u>1,782,674</u>	\$ <u>15,242</u>	\$ <u>2,471,217</u>
\$	-0-	\$ 11,072	\$ 111,020
	-0-	-0-	264,298
	1,782,674	4,170	1,786,844
	-0-	-0-	309,055
\$	<u>1,782,674</u>	\$ <u>15,242</u>	\$ <u>2,471,217</u>

CITY OF OAKLAND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Water	Sewer
Operating receipts:		
Charges for services	\$ 681,356	\$ 63,878
Miscellaneous	<u>6,724</u>	<u>153,566</u>
Total receipts	<u>688,080</u>	<u>217,444</u>
Operating disbursements:		
Business type activities	<u>609,671</u>	<u>94,289</u>
Total disbursements	<u>609,671</u>	<u>94,289</u>
Operating income	78,409	123,155
Non-operating receipts (disbursements):		
Farm rent	37,328	-0-
Meter deposits	3,668	-0-
Meter deposit refunds	<u>(1,400)</u>	<u>-0-</u>
Total non-operating receipts (disbursements)	<u>39,596</u>	<u>-0-</u>
Excess (deficiency) of receipts over (under) disbursements	118,005	123,155
Other financing sources (uses):		
Note proceeds	58,201	-0-
Operating transfer out	<u>(12,395)</u>	<u>-0-</u>
Net financing sources (uses)	<u>45,806</u>	<u>-0-</u>
Net change in cash balance	163,811	123,155
Cash balances, beginning of year	<u>376,892</u>	<u>(141,407)</u>
Cash balances, end of year	\$ <u>540,703</u>	\$ <u>(18,252)</u>
Cash Basis Fund Balances		
Restricted:		
Repairs and replacement	\$ 41,640	\$ -0-
Unrestricted	<u>499,063</u>	<u>(18,252)</u>
Total cash basis fund balances	\$ <u>540,703</u>	\$ <u>(18,252)</u>

See notes to financial statements.

EXHIBIT C

<u>Sanitation</u>		<u>Total</u>	
\$	121,767	\$	867,001
	262		160,552
	<u>122,029</u>		<u>1,027,553</u>
	106,405		810,365
	<u>106,405</u>		<u>810,365</u>
	15,624		217,188
	-0-		37,328
	-0-		3,668
	-0-		(1,400)
	<u>-0-</u>		<u>39,596</u>
	15,624		256,784
	-0-		58,201
	-0-		(12,395)
	<u>-0-</u>		<u>45,806</u>
	15,624		302,590
	<u>41,203</u>		<u>276,688</u>
\$	<u>56,827</u>	\$	<u>579,278</u>
\$	-0-	\$	41,640
	<u>56,827</u>		<u>537,638</u>
\$	<u>56,827</u>	\$	<u>579,278</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies

The City of Oakland is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general administrative services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Oakland has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial burdens on the City.

Blended Component Unit

The Eckels Memorial Library is legally separate from the City but financially accountable to the City. The library is governed by a board approved by the City Council and its operating budget is subject to approval by the City Council. The library is presented as a blended component unit of the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following associations: Southwest Iowa Clerks Association, Iowa League of Cities, Iowa Municipal Financial Officers Association, Iowa Rural Water Association, Iowa Association of Municipal Utilities, MAPA, Southwest Iowa Planning Council, Western Iowa Development Association, International Municipal Clerks Institute and Chamber of Commerce.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges from services.

The Statement of Activities and Net Assets presents the City's non-fiduciary net assets. Net assets are reported in the following categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provision or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: 1) charges to customers or applicants whose purchase, or use directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The Special Revenue, Road Use Tax Fund, is used to account for road construction and maintenance.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's long-term debt.

The Capital Projects Fund is used to account for the payment of construction projects such as the Community Service Center.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The City also reports the following additional proprietary fund:

The Sanitation Fund accounts for the operation and maintenance of the City's sanitation service.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The City of Oakland maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. As of June 30, 2012, disbursements exceed amounts budgeted in the general government function.

(2) Cash and Pooled Investments

The City's deposits in bank at June 30, 2012, were covered entirely by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash on hand, cash in bank and certificates of deposit, held at two local institutions in the City's name and its component unit, totals \$3,050,295 as of June 30, 2012.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(3) Notes Payable

Annual debt service requirements to maturity for the City's general obligation capital loan notes, urban renewal tax increment financing revenue notes and water revenue notes are as follows:

Year Ending June 30,	General Obligation Capital Loan Notes	
	Principal	Interest
2013	17,840	85,324
2014	128,327	77,603
2015	130,825	73,937
2016	124,000	70,148
2017	129,000	66,830
2018	129,000	63,380
2019	134,000	59,930
2020	140,000	56,348
2021	140,000	52,603
2022	145,000	48,857
2023	151,000	45,115
2024	156,000	41,215
2025	156,000	36,825
2026	162,000	32,435
2027	167,000	27,650
2028	172,000	22,485
2029	165,000	17,085
2030	170,000	11,557
2031	175,000	5,862
Total	\$ 2,691,992	\$ 895,189

Drinking Water Program Revolving Loan

On September 24, 2008, the City financed the Lime Sludge Lagoon Project in part through the Iowa Finance Authority. The \$187,000 loan bears interest at 3.0%, requires semi-annual principal and interest payments, and matures June 1, 2028.

Ambulance Note

On April 19, 2010, the City financed the purchase of an ambulance with a local bank. The \$150,259 note bears interest at 4.95%, requires semi-annual principal and interest payments of \$11,473, and matures with a balloon payment of \$29,292 on March 19, 2015.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(3) Notes Payable (Continued)

Community Service Building Capital Loan Notes

On April 26, 2012, the City issued \$2,500,000 general obligation capital loan notes to finance the construction of a community service building. The notes bear interest at 2.65% to 3.35%, require semi-annual interest and annual principal payments, and mature June 1, 2031. Interest payments begin on June 1, 2013 and interest with principal payments begin June 1, 2014. The notes maturing after June 1, 2019 may be called for redemption by the City and paid before maturity.

Planning and Design Revolving Fund Loan

In July 2011, the City made its first draw on a planning and design loan to finance a reverse osmosis pilot project. The interim loan from the Iowa Finance Authority anticipates becoming \$400,000 general obligation capital loan notes upon completed draw down. The loan bears no interest. The water project is currently on hold awaiting approval of the DNR.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$19,708, \$17,255 and \$16,152, respectively, equal to the required contributions for each year.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides a medical/prescription drug benefits for retirees and their spouses. There are 4 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums of the City and plan members are \$471 for single coverage and \$1,177 for family coverage. For the year ended June 30, 2012, the City contributed \$59,409 and the plan members eligible for benefits contributed \$-0-.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, retirement or death and sick leave hours for subsequent use during employment. These accumulations are not recognized as disbursements by the City until used or paid. Sick leave hours accumulate but are not payable upon termination. Upon retirement, employees are paid a maximum of \$2,000 of accumulated sick leave. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2012, primarily relating to the Water Fund, is as follows:

Type of Benefit	Amount June 30, 2012
Vacation	\$ 18,462
Sick leave	60,635
	<u>\$ 79,097</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(7) Property Taxes

Property taxes become an enforceable lien on property when they are certified to the County Board of Supervisors on or before March 15. Taxes are payable on September 30 and March 31, payment later than this results in a penalty. The County bills and collects property taxes and remits them to the City as collected monthly.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$800 during the year ended June 30, 2012.

(9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012, is as follows:

Transfer to	Transfer from	Amount
General fund	Special Revenue - Local Option	\$ 84,893
Special Revenue - Road Use	Special Revenue - Local Option	84,893
Special Revenue - FEMA	General Fund	2,043
Debt Service	Special Revenue - TIF	14,211
Debt Service	General Fund	72,636
Debt Service	Proprietary - Water	12,395
General Fund	Capital Projects - Aquatic Center	33,680
Capital Projects - Signage	General Fund	135
Capital Projects - Annexation	General Fund	980
Total		\$ 305,866

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(10) Risk Management

The City of Oakland is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if sufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contribution to the Pool for the year ended June 30, 2012 was \$48,394.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage of \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(10) Risk Management (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all liability claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries workers' compensation insurance purchased from the Iowa Municipalities Workers' Compensation Association, IMWCA. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Urban Renewal

On May 11, 1998, the City established the Oakland Urban Renewal Area. The objective of the plan is to encourage residential development in this urban renewal area. The urban renewal area includes the Water Expansion Project completed as of June 30, 2000. Urban Renewal Tax Increment Financing Notes were issued to finance the Street Project. On July 11, 2005, the City approved a program within this urban renewal plan for residential and commercial development in cooperation with the Oakland Industrial Foundation. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(11) Urban Renewal (Continued)

On January 10, 2000, the City established the Oakland Urban Renewal Area South. The objective of the plan was to encourage commercial development in this urban renewal area. The project included the construction of a distribution facility of approximately 18,000 square feet to be used as a retail discount store. Once these improvements were completed the City agreed to make an Economic Development Grant to the Developer, Oakland Industrial Foundation, Inc. The Economic Development Urban Renewal Tax Increment Financing Notes were issued as a result of this project. On May 12, 2008, the City adopted Amendment No. 1 to the Urban Renewal Plan expanding the Urban Renewal Area.

On May 5, 2001, the City established the Oakland Manor Urban Renewal Area. The project involved providing direct financial assistance to a developer to help finance the construction of an assisted living health care facility. The City intends to provide assistance in the form of property tax rebates. Under the proposal, 100% of the incremental property tax generated by the project will be rebated to the developer for a maximum of 5 years, from the time debt is first certified to the County. These rebates will not be general obligation of the City, but will be payable solely from incremental property taxes generated by the project.

On February 13, 2012, the City established the 2012 Urban Renewal District in the annexed area northwest of the intersection of Highways 6 and 59. The area includes the Oakland Foods industrial complex which comprises over 43% of the area of the district. The specific goals of the district include constructing a reverse osmosis water treatment plant thereby increasing the City's supply of treated potable water to Oakland Foods and constructing a lift station and collection system connections to the City's wastewater treatment system. The City obtained a planning & design loan from the Iowa Finance Authority and has drawn down \$58,201 to date. The loan anticipates the issuance of \$400,000 General Obligation Capital Loan Notes. The reverse osmosis water treatment project is currently awaiting permits from the DNR.

(12) Library Construction and Contingency

On April 7, 1997, the City entered into a gift agreement for an addition to the Eckles Memorial Library. The donor paid the construction costs up to \$100,000. The agreement contains a covenant requiring the City to allow a genealogy group to occupy and use a portion of the building for fifty years with a right to renewal for an additional fifty years. Breach of the covenant would require the City to pay over \$100,000 to an educational trust.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(13) Restatement of Fund Balances

The City restated the beginning balances of several funds as follows:

	As Previously Reported	Adjustment	As Restated
General Fund	\$ 507,588	\$ 34	\$ 507,622
Road Use Fund	<u>108,109</u>	<u>2,000</u>	<u>110,109</u>
Total	\$ <u>615,697</u>	\$ <u>2,034</u>	\$ <u>617,731</u>

(14) Deficit Balance

The Enterprise Sewer Fund had a deficit balance of \$18,252 at June 30, 2012. The deficit balance was a result of ongoing operational losses. The deficit will be eliminated by either a sewer rate increase or a transfer from another fund such as the water fund.

(15) Commitments

Garbage Collection Service Agreement

The City signed an agreement on June 11, 2007 with M & K Mills Tree Service, Inc. for the collection of garbage, rubbish, and recyclables. The contract runs from July 1, 2007 to June 30, 2012. The contracted amount per residential unit for up to six 32-gallon containers per week for the first two years is \$5.00 and \$5.50 for the remaining three years. The contracted amount for commercial, industrial and institutional premises with dumpsters is \$3.00 per yard per week for five years and \$1.00 per unit per month for recyclables for five years.

Atlantic Bottling Agreement

On May 26, 2004, the City entered into an agreement with the Atlantic Bottling Company. They agreed that the Atlantic Bottling Company will be the sole provider of soft drinks, new age products, juices and water for the Little League, Soccer, Swimming Pool, and all City owned locations through May of 2011. In return, Atlantic Bottling Company paid for one of the scoreboards valued at \$3,358. Either party may terminate this agreement; however, in that event, the City agrees to pay back Atlantic Bottling Company for the scoreboard for the valued amount.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(15) Commitments (Continued)

Administrative Services Agreement

On April 1, 2012, the City entered in to an agreement with TRISTAR Benefits Administrators for the purpose of establishing terms for a third party administrator of the City of Oakland's partially self-funded benefit plan. The annual administration fee is \$850. The fees are subject to change by TRISTAR Benefits Administrators on April 1, 2013, and each year thereafter on the same date.

MidAmerican Energy Company Ordinance

On December 12, 2004, the city passed an ordinance granting to MidAmerican Energy Company, its successors and assigns, the right and franchise to acquire, construct, erect, maintain and operate a natural gas system in the City of Oakland and to furnish and sell natural gas to the City and its inhabitant's for a period of twenty-five years.

Law Enforcement Service Contract

The City renewed its Law Enforcement Services Contract with Pottawattamie County for the services of the Pottawattamie County Sheriff's Department as of July 1, 2012. The contract is payable in four quarterly installments of \$8,871.

(16) Grants

Grants - Library

For the year ended June 30, 2012, the Eckles Memorial Library received a \$5,000 grant from the Iowa West Foundation.

Hazard Mitigation Grant

In July 2009, the City of Oakland was awarded a \$169,870 grant from the Iowa Homeland Security and Emergency Management Division and the Federal Emergency Management Agency (FEMA) for the acquisition of property and demolition of a house located in a flood plane area of the City. Most of the grant was received in 2010 and the remainder of \$22,820 was received in the year ended June 30, 2012.

CITY OF OAKLAND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

(16) Grants (Continued)

Iowa West Foundation Grant

In November 2010, the City of Oakland was awarded a \$140,000 from the Iowa West Foundation for the renovation of the bath house at the Aquatic Center. Per terms of the grant agreement, the City was required to match or fund the grant at a ratio of 1:1. The grant funds of \$49,678 and \$70,000 were received for the years ended June 30, 2012 and 2011, respectively. The contract expired September 30, 2011.

Underground Storage Tank Fund

For the year ended June 30, 2012, the City received \$4,121 in state assistance from the Iowa Underground Storage Tank Fund for the over-excavation of an underground storage tank discovered during installation of a public utility. Total assistance received from the State was \$6,846.

CITIES Grant

On May 10, 2011, the City was awarded Community Improvements To Increase Economic Stability (CITIES) Grant from the Pottawattamie County Board of Supervisors. The 50/50 matching grant awarded was \$149,445 all of which was received by June 30, 2012. The grant provided assistance for the 2010 Sanitary Sewer Project. The grant expired July 31, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 300,460	\$ -0-
Tax increment financing	31,990	-0-
Other city tax	169,786	-0-
Licenses and permits	6,020	-0-
Use of money and permits	11,882	-0-
Intergovernmental	249,635	-0-
Charges for services	92,918	1,068,549
Miscellaneous	128,087	-0-
Total receipts	<u>990,778</u>	<u>1,068,549</u>
Disbursements:		
Public safety	157,180	-0-
Public works	287,246	-0-
Health and social services	-0-	-0-
Culture and recreation	204,215	-0-
Community and economic development	6,707	-0-
General government	167,135	-0-
Debt service	99,242	-0-
Capital projects	739,268	-0-
Business type	-0-	811,765
Total disbursements	<u>1,660,993</u>	<u>811,765</u>
Excess (deficiency) of receipts over (under) disbursements	(670,215)	256,784
Other financing sources, net	<u>2,521,721</u>	<u>45,806</u>
Excess (deficiency) of receipts and other financing sources	1,851,506	302,590
Balance beginning of year	<u>619,711</u>	<u>276,688</u>
Balance end of year	\$ <u>2,471,217</u>	\$ <u>579,278</u>

See Accompanying Independent Auditor's Report

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
\$ 300,460	\$ 293,047	\$ 293,047	\$ 7,413
31,990	34,942	34,942	(2,952)
169,786	178,130	178,130	(8,344)
6,020	3,525	5,279	741
11,882	263,600	44,010	(32,128)
249,635	876,500	1,114,302	(864,667)
1,161,467	1,062,202	1,072,947	88,520
128,087	25,100	26,135	101,952
<u>2,059,327</u>	<u>2,737,046</u>	<u>2,768,792</u>	<u>(709,465)</u>
157,180	140,856	195,983	38,803
287,246	254,400	315,554	28,308
-0-	-0-	-0-	-0-
204,215	188,056	218,838	14,623
6,707	18,000	13,000	6,293
167,135	115,935	165,761	(1,374)
99,242	47,000	100,000	758
739,268	2,000,000	974,482	235,214
811,765	623,450	860,382	48,617
<u>2,472,758</u>	<u>3,387,697</u>	<u>2,844,000</u>	<u>371,242</u>
(413,431)	(650,651)	(75,208)	(338,223)
<u>2,567,527</u>	<u>750,000</u>	<u>2,304,592</u>	<u>262,935</u>
2,154,096	99,349	2,229,384	(75,288)
<u>896,399</u>	<u>896,399</u>	<u>896,399</u>	<u>-0-</u>
\$ <u>3,050,495</u>	\$ <u>995,748</u>	\$ <u>3,125,783</u>	\$ <u>(75,288)</u>

CITY OF OAKLAND

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING**

JUNE 30, 2012

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$1,586,338 and decreased disbursements by \$543,697. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the general government function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OAKLAND

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Special Revenue		
	Local Option	Urban Renewal	Hazard
	Tax	TIF	Mitigation
Receipts:			
Other city taxes	\$ 169,786	\$ -0-	\$ -0-
Use of money and property	-0-	-0-	-0-
Intergovernmental	-0-	31,990	22,820
Miscellaneous	-0-	-0-	-0-
Total receipts	<u>169,786</u>	<u>31,990</u>	<u>22,820</u>
Disbursements:			
Operations:			
General government	-0-	-0-	24,863
Community and economic development	-0-	6,707	-0-
Capital projects	-0-	-0-	-0-
Total disbursements	<u>-0-</u>	<u>6,707</u>	<u>24,863</u>
Excess (deficiency) of receipts over (under) disbursements	169,786	25,283	(2,043)
Other financing sources (uses):			
Operating transfers in	-0-	-0-	2,043
Operating transfers out	(169,786)	(14,211)	-0-
Net financing sources (uses)	<u>(169,786)</u>	<u>(14,211)</u>	<u>-0-</u>
Net change in cash balances	-0-	11,072	-0-
Cash balances beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Cash balances end year	\$ <u>-0-</u>	\$ <u>11,072</u>	\$ <u>-0-</u>
Cash Basis Fund Balances			
Unreserved:			
Restricted for other purposes	\$ -0-	\$ 11,072	\$ -0-
Assigned	-0-	-0-	-0-
Unassigned	-0-	-0-	-0-
Total cash basis fund balances	\$ <u>-0-</u>	\$ <u>11,072</u>	\$ <u>-0-</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 1

Capital Projects				
Aquatic Center		Annexation		Total
\$	-0-	\$	-0-	\$ 169,786
	-0-		-0-	-0-
	-0-		-0-	54,810
	52,331		220	52,551
	52,331		220	277,147
	-0-		-0-	24,863
	-0-		-0-	6,707
	14,481		2,335	17,796
	14,481		2,335	49,366
	37,850	(980)	(2,115)	227,781
	-0-	980	135	3,158
	(33,680)	-0-	-0-	(217,677)
	(33,680)	980	135	(214,519)
	4,170	-0-	(1,980)	13,262
	-0-	-0-	1,980	1,980
\$	4,170	\$ -0-	\$ -0-	\$ 15,242
	-0-	\$ -0-	\$ -0-	\$ 11,072
\$	4,170	\$ -0-	\$ -0-	\$ 4,170
	-0-	\$ -0-	\$ -0-	\$ -0-
\$	4,170	\$ -0-	\$ -0-	\$ 15,242

CITY OF OAKLAND
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2012

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation capital notes:			
Ambulance	Apr 19, 2010	4.95%	\$ 150,259
TIF - Economic Development	Nov 1, 2000	5.10% - 5.65%	120,000
Drinking Water Program Revolving Loan	Sep 24, 2008	3.0%	187,000
Planning & Design Revolving Loan	Dec 29, 2010	0%	400,000
Community Service Building Capital Loan Notes	Apr 26, 2012	2.65% - 3.35%	\$ 2,500,000

See accompanying independent auditor's report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 97,600	\$ -0-	\$ 64,609	\$ 32,991	\$ 6,391	\$ 9
15,000	-0-	15,000	-0-	848	-0-
166,000	-0-	7,000	159,000	4,980	398
-0-	58,201	-0-	58,201	-0-	-0-
<u>-0-</u>	<u>2,500,000</u>	<u>-0-</u>	<u>2,500,000</u>	<u>-0-</u>	<u>6,071</u>
\$ <u>278,600</u>	\$ <u>2,558,201</u>	\$ <u>86,609</u>	\$ <u>2,750,192</u>	\$ <u>12,219</u>	\$ <u>6,478</u>

CITY OF OAKLAND

DEBT MATURITIES

JUNE 30, 2012

General Obligation Notes

Ambulance
Issued April 19, 2010

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>
2013	4.95%	\$ 9,840
2014	4.95%	10,327
2015	4.95%	12,824
Total		\$ <u>32,991</u>

SCHEDULE 3
(Continued)

Community Service Building
Issued April 26, 2012

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2013	2.65% - 3.35%	\$ -0-	\$ 9,840
2014	2.65% - 3.35%	110,000	120,327
2015	2.65% - 3.35%	110,000	122,824
2016	2.65% - 3.35%	115,000	115,000
2017	2.65% - 3.35%	120,000	120,000
2018	2.65% - 3.35%	120,000	120,000
2019	2.65% - 3.35%	125,000	125,000
2020	2.65% - 3.35%	130,000	130,000
2021	2.65% - 3.35%	130,000	130,000
2022	2.55% - 3.35%	135,000	135,000
2023	2.55% - 3.35%	140,000	140,000
2024	2.55% - 3.35%	145,000	145,000
2025	2.80% - 3.35%	145,000	145,000
2026	2.95% - 3.35%	150,000	150,000
2027	3.10% - 3.35%	155,000	155,000
2028	3.15% - 3.35%	160,000	160,000
2029	3.15% - 3.35%	165,000	165,000
2030	3.15% - 3.35%	170,000	170,000
2031	3.35%	175,000	175,000
Total		\$ <u>2,500,000</u>	\$ <u>2,532,991</u>

See Accompanying Independent Auditor's Report.

SCHEDULE 3
(Continued)

Drinking Water Program Revolving Loan Fund

Lime Sludge Lagoon
Issued September 24, 2008

<u>Year Ended June 30,</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2013	3.00%	\$ 8,000	\$ 8,000
2014	3.00%	8,000	8,000
2015	3.00%	8,000	8,000
2016	3.00%	9,000	9,000
2017	3.00%	9,000	9,000
2018	3.00%	9,000	9,000
2019	3.00%	9,000	9,000
2020	3.00%	10,000	10,000
2021	3.00%	10,000	10,000
2022	3.00%	10,000	10,000
2023	3.00%	11,000	11,000
2024	3.00%	11,000	11,000
2025	3.00%	11,000	11,000
2026	3.00%	12,000	12,000
2027	3.00%	12,000	12,000
2028	3.00%	12,000	12,000
Total		\$ <u>159,000</u>	\$ <u>159,000</u>

See Accompanying Independent Auditor's Report.

CITY OF OAKLAND

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS

FOR THE LAST EIGHT YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:				
Property taxes	\$ 300,460	\$ 296,224	\$ 275,271	\$ 206,896
Tax increment financing	31,990	18,622	27,316	218,833
Other city taxes	169,786	181,391	153,346	174,825
License and permits	6,020	5,892	4,953	6,353
Use of money and property	11,882	37,480	30,968	52,852
Intergovernmental	249,635	220,574	395,809	342,146
Charges for service	92,918	89,083	67,207	80,060
Miscellaneous	<u>128,087</u>	<u>147,192</u>	<u>90,874</u>	<u>211,952</u>
Total	\$ <u>990,778</u>	\$ <u>996,458</u>	\$ <u>1,045,744</u>	\$ <u>1,293,917</u>
Disbursements:				
Operating:				
Public safety	\$ 157,180	\$ 100,371	\$ 153,822	\$ 170,153
Public works	287,246	190,677	272,310	403,838
Culture and recreation	204,215	191,150	195,613	132,345
Comm and economic dev	6,707	352,712	42,930	4,114
General government	167,135	118,847	242,537	85,324
Debt service	99,242	111,193	141,791	118,748
Capital projects	<u>739,268</u>	<u>274,932</u>	<u>424,254</u>	<u>5,848</u>
Total	\$ <u>1,660,993</u>	\$ <u>1,339,882</u>	\$ <u>1,473,257</u>	\$ <u>920,370</u>

See accompanying independent auditor's report.

SCHEDULE 4

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	203,171	\$ 198,773	\$ 165,517	\$ 157,113
	203,412	208,720	143,618	150,589
	148,849	165,717	178,253	147,404
	5,801	6,302	6,808	4,473
	57,909	61,473	56,214	26,437
	192,842	564,584	165,354	157,314
	79,766	79,093	53,849	90,932
	<u>104,406</u>	<u>93,853</u>	<u>146,678</u>	<u>222,388</u>
\$	<u>996,156</u>	\$ <u>1,378,515</u>	\$ <u>916,291</u>	\$ <u>956,650</u>
\$	219,763	\$ 155,821	\$ 83,211	\$ 224,351
	330,027	143,761	238,518	142,948
	137,908	175,994	236,698	141,399
	6,571	15,939	62,007	18,943
	141,302	98,789	111,683	107,620
	108,758	81,720	118,085	117,296
	<u>-0-</u>	<u>834,590</u>	<u>55,853</u>	<u>128,233</u>
\$	<u>944,329</u>	\$ <u>1,506,614</u>	\$ <u>906,055</u>	\$ <u>880,790</u>

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

August 22, 2012

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARD

Lonnie G. Muxfeldt
Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com
firm@muxfeldt-cpa.com

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To the Honorable Mayor and
Members of the City Council:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Oakland, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated August 22, 2012. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Oakland's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City of Oakland's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, I identified a certain deficiency in internal control over financial reporting I consider to be a material weakness and another deficiency I consider to be a significant deficiency.

Continued . . .

To the Honorable Mayor and
Members of the City Council:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Oakland's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in Part I of the accompanying Schedule of Findings as items I-A-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Oakland's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Continued . . .

August 22, 2012
Page Three

To the Honorable Mayor and
Members of the City Council

The City of Oakland's responses to the findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City of Oakland's responses, I did not audit the City of Oakland's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Oakland and other parties to whom the City of Oakland may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Oakland during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Musfeldt Associates, CPA, P.C.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-12 Segregation of Duties

Comment - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For example, the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

Recommendation - I realize that with one full time city clerk and a part time deputy clerk, a proper segregation of duties is challenging. However, City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response acknowledged.

I-B-12 Unsubstantiated Credit Card Charges

Comment - An examination of credit card statements revealed a significant increase in charges that were not supported by documentation.

Recommendation - Documentation should always support all charges on credit cards, even a hand written note at minimum.

Response - We will revise our procedures accordingly.

Conclusion - Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF OAKLAND
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the general government function. In addition, disbursements exceeded amounts budgeted in the public safety, public works, general government and business type activities functions before the budget was amended on May 14, 2012. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 684.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be monitored and amended timely in the future, if applicable.

Conclusion - Response accepted.

II-B-12 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12 Business Transactions - Business transactions between the City and City officials are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Joseph Wede, Councilor	Computer service	\$ 800

II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

CITY OF OAKLAND
SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting: Continued

- II-F-12 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

Although minutes of City Council proceedings were published, on two occasions minutes were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, not all minutes were filed in the Council minute book and hence not signed.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish and file minutes timely.

Response - We will comply with the Code requirements, publish and file minutes as required.

Conclusion - Response accepted.

- II-G-12 Revenue Notes - The City has complied with water revenue note resolutions.

- II-H-12 Deposits and Investments - It was noted that the City had bank deposits in excess of its maximum deposit amount of \$3 million during the month of May 2012.

Recommendation - I recommend that the maximum deposit amount be raised by resolution as needed.

Comment - The maximum deposit amount was exceeded when \$2.5 million general obligation capital loan notes were issued and proceeds received. Maximum deposit amount will be raised accordingly in the future.

Conclusion - Response accepted.

